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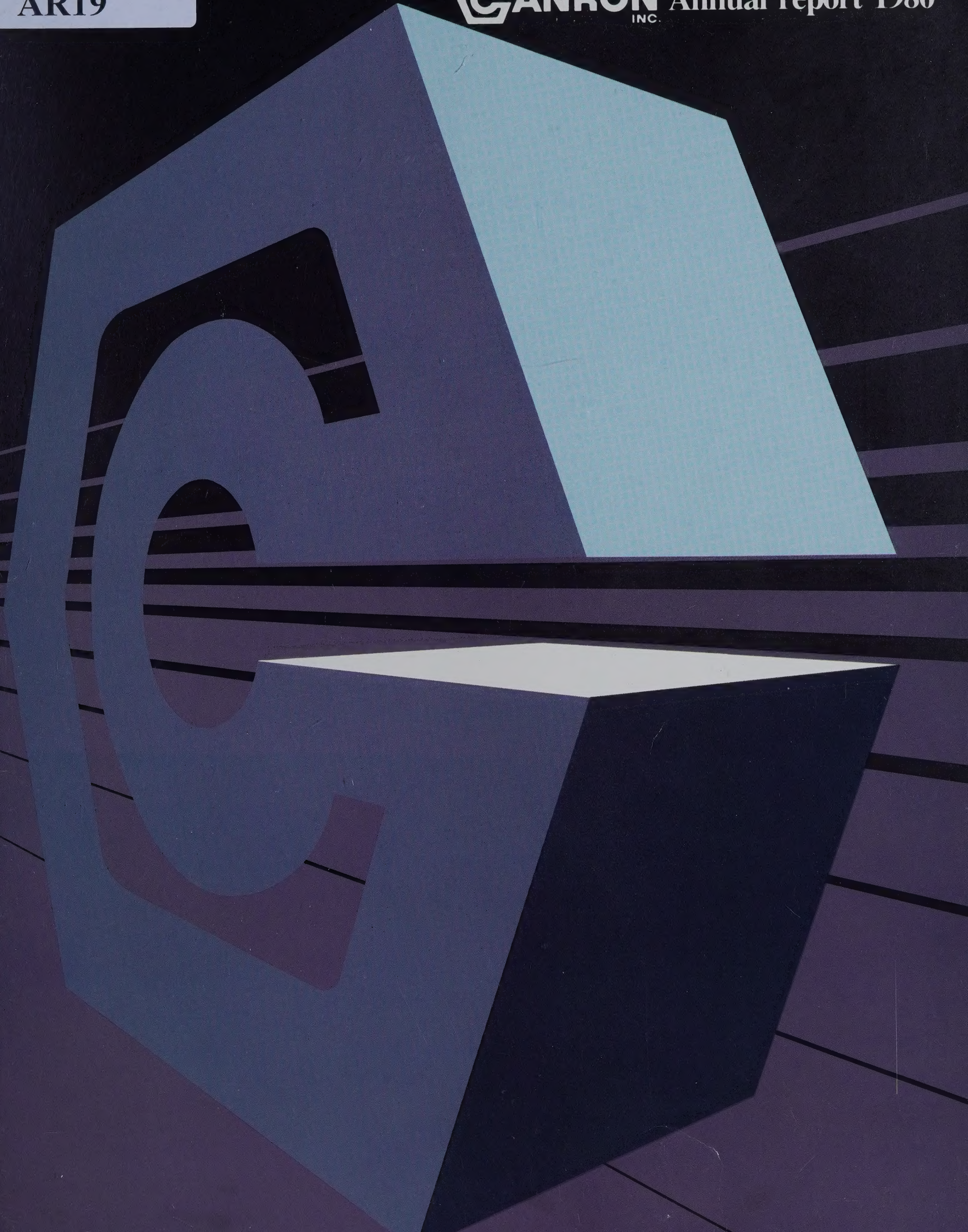
# CANRON INC. Annual report 1980



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# Highlights

CANRON INC.


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(in millions of dollars — except per share amounts)

| | 1980 | 1979 | Increase (Decrease) |
|---|---|---|---|
| **Sales by quarter** | | | |
| First | **92.8** | 90.2 | 2.9% |
| Second | **125.1** | 100.1 | 25.0% |
| Third | **116.0** | 141.3 | (17.9%) |
| Fourth | **155.8** | 140.6 | 10.8% |
| Full year | **489.7** | 472.2 | 3.7% |
| **Earnings by quarter** | | | |
| First | **2.2** | 1.8 | 22.2% |
| Second | **3.4** | 3.3 | 3.0% |
| Third | **1.6** | 2.8 | (42.9%) |
| Fourth | **8.1** | 5.2 | 55.8% |
| Full year | **15.3** | 13.1 | 16.8% |
| % of Sales | **3.1%** | 2.8% | 0.3% |
| **Order backlog at year-end** | **253.5** | 247.0 | 2.6% |
| **Working capital** | **92.7** | 88.9 | 4.3% |
| **Capital expenditures** | **9.2** | 12.3 | (25.2%) |
| **Per common share** | | | |
| Basic earnings by quarter | | | |
| First | **0.33** | 0.28 | 17.9% |
| Second | **0.58** | 0.57 | 1.8% |
| Third | **0.24** | 0.48 | (50.0%) |
| Fourth | **1.46** | 0.93 | 57.0% |
| Full year | **2.61** | 2.26 | 15.5% |
| Dividends paid | **0.92** | 0.88 | 4.5% |
| Book value | **18.96** | 17.35 | 9.3% |

**Common share market information by quarter**

| 1980 | High | Low | Close | Shares traded | Dividends paid A shares cash | Dividends paid B shares stock |
|---|---|---|---|---|---|---|
| First | 17 | 12 5/8 | 13 | 409,489 | $0.230 | 0.0176 |
| Second | 15 3/4 | 13 | 15 | 341,915 | 0.230 | 0.0170 |
| Third | 20 1/2 | 14 3/4 | 15 | 491,235 | 0.230 | 0.0165 |
| Fourth | 18 3/8 | 14 1/4 | 17 7/8 | 779,591 | 0.230 | 0.0142 |
| Full year | 20 1/2 | 12 5/8 | 17 7/8 | 2,022,230 | $0.920 | 0.0653 |
| 1979 | 15 3/4 | 11 1/2 | 13 | 920,598 | $0.875 | 0.0631 |

# Directors' report to the shareholders

*Howard J. Lang, Chairman of the Board, (left) Clifford S. Malone, President and Chief Executive Officer (right)*

The Corporation's performance was moderately satisfactory notwithstanding a business climate which became increasingly difficult in the second half of the year. Of particular significance were the adverse effects of work stoppages at five manufacturing plants which had a major impact on sales and earnings.

Government actions introduced in the United States, to dampen the economy and restrain inflation, and the resulting modifications in Canadian monetary policy to protect the value of the domestic currency, precipitated a downturn in economic activity in the second quarter. This caused temporary excess inventories which, when coupled with unprecedented high interest rates, significantly increased interest costs over the previous year. Because of these problems additional emphasis was placed on asset management and reassessment of planned capital expenditures. As a result expenditures of $9.2 million for plant and equipment were one-half of original plans and were directed mainly to strategic expansion and cost reduction projects.

**Financial results**

Sales in 1980 of $490 million were only 3.7% over 1979. Earnings were $15.3 million or $2.61 per common share, compared with $13.1 million or $2.26 per share in the previous year. The disruption of production because of strikes prevented sales from rising considerably above the $500 million amount expected and cost an estimated 70¢ per share. A credit of $2.2 million, or 41¢ per share, resulted from an adjustment of income tax reserves established in prior years.

Despite the difficult business conditions several operating divisions including Pacific Press, Plastics, Foundry, the Toronto plant of Eastern Structural achieved superior results, and Western Bridge's performance improved significantly over 1979. The Pipe division benefited from a strong market in western Canada and competitive export opportunities, although some manufacturing facilities in Ontario and Quebec were underutilized. Results of the railway track maintenance divisions were mixed — Tamper was not up to expectations while Matisa continued to make headway in rebuilding its market position. Canrep, suffering from the downturn in domestic industrial markets, did not achieve profit targets.

The program started in 1979 to determine the growth, profit and cash flow potentials of the Corporation's varied businesses and products was continued. The Mechanical division was restructured to eliminate certain product lines, mainly steel rolling mill equipment where profit margins have not been satisfactory nor commensurate with the risks involved. The division will specialize in proprietary products,

concentrating on equipment for the pulp and paper industry.

A decision has also been taken to close the structural steel fabricating plant in Montreal. The operations at this location have not been profitable in recent years and there is little prospect for a reasonable return on this investment for the foreseeable future.

Strategies will continue to be developed in 1981 to ensure that the Corporation's investment base is directed to areas related to its higher performance business segments. Mature operations, which have been consistently profitable, are being managed to provide cash for expansion in other attractive growth areas.

The Corporation's financial structure has been strengthened in recent years. It has additional debt capacity within a satisfactory debt/equity ratio. This provides the opportunity to pursue new business through expansion and acquisition and achieve a rate of growth significantly greater than that of inflation.

The identification of high-potential employees continued to receive special emphasis at corporate headquarters and resulted in the promotion of a number of managers and transfer of others between divisions. This strengthens the depth and capabilities of management.

Projects for productivity improvements and energy conservation are receiving priority. A significant part of the $16.6 million capital expenditures planned for 1981 will be spent in these areas.

A thorough study has been made of the reasons for the unsatisfactory labour relations climate which resulted in the 1980 strikes. Action has been taken to achieve better communications and understanding between employees and management and assist both parties to avoid mutually costly work stoppages.

**Directors and management**

Mr. John C. Gilmer, of Vancouver, having reached the Corporation's retirement age for directors, will not stand for re-election at the forthcoming Annual Meeting. Mr. Gilmer has been a director since 1969 and has also served as Chairman of the Audit Committee of the Board. He brought a wide breadth of business experience to the Board and his counsel and advice will be missed. To replace him Mr. George L. O'Leary, Chairman and President of Scott Paper Limited, has agreed to join the Board and will be nominated for election at the forthcoming Annual Meeting on April 29th.

In July,1980, John K. Stewart, because of health reasons, relinquished his executive responsibilities as President of Tamper division and as a Vice President of the Corporation. He has been with Canron and predecessor companies since 1941 and was instrumental in building the Tamper division to a position of leadership in railway track maintenance equipment in North America. He will continue his association with Canron in a consultative role.

Ragnar Blomqwist, General Manager of the Matisa track maintenance operations, in Switzerland, was appointed a Vice President of the Corporation. He has been given executive responsibility for Canron's world wide railway track maintenance equipment business.

Other appointments were Jean-Marc Eloy as General Manager of the Mechanical division and Andre Thompson as General Manager of Canrep, replacing Jacques Robert who early in the year became General Manager of Plastics division.

**Outlook**

The business climate in North America, since its peak in the second quarter of 1980, has remained unhealthy and uncertain. High interest rates are likely to continue through the first half of 1981. Many of the conditions still exist which caused their rise last year. As well, political divergence in Canada has seriously delayed the implementation of numerous projects which could benefit the Canadian capital goods industries and pick up the slack in other industrial sectors.

There are a great many important decisions facing policy makers in Canada but there seems to be a serious neglect of the opportunities for the country to fully exploit its abundance of resources, especially energy, as well as skilled managers and labour which together provide Canadian industry with the potential to compete on a world scale.

Inflation, depressed markets and government attention to areas other than the current unsatisfactory state of the economy are not easy conditions with which to operate. In spite of this, Canron entered 1981 with strength in a number of its businesses and the Corporation's financial condition and an order backlog of $253 million, slightly higher than last year. It is expected that 1981 will improve over 1980 and that strategies for growth will show tangible results.

The directors acknowledge and appreciate the dedication of employees to their role in making Canron a successful Corporation.

On behalf of the Board,

H. J. Lang

Howard J. Lang, Chairman

C. S. Malone

Clifford S. Malone,
President and Chief Executive Officer

Toronto, March 30, 1981

# Operations

## Foundry

Operating results for 1980 were generally satisfactory with profits up over 1979.

The volume of production for 1980 was about normal and operations benefited through improved supervision, increased productivity and a safety record much better than the industry average.

The year was marred by a five week strike at the ingot mould plant.

Product and market diversification was a positive factor in 1980. The timing was excellent since it helped considerably to soften the effects of generally poor market conditions for agricultural and municipal castings.

The volume of castings and mechanical products for mining operations increased along with improvements in productivity. Both factors contributed to higher profitability in this product area.

The division began 1981 with an order backlog slightly below the previous year's amount. Business in the first half of the year will likely be slow, picking up in the second half. The mining and steel mill sectors should remain strong throughout the year. Market diversification is continuing with success in the U.S. and western Canada and prospects in Latin America. Export opportunities are enhanced by the current low value of the Canadian dollar relative to U.S. and other market area currencies.

None of the division's labour contracts expires in 1981. However, negotiations in the Canadian steel industry will take place in 1981. Settlement there without a work stoppage is important to the division's results.

1981 sales and profits of the division are likely to exceed 1980.

## Pipe

As predicted, sales and profits for 1980 were up over 1979.

Western Canada continued to display real strength and the Cochrane concrete pipe plant capacity was expanded and work shifts increased to meet the demand. Iron pipe production for the region was at capacity levels for much of the year.

Markets in eastern Canada remained sluggish throughout the year. A five month strike at the Trois-Rivières iron pipe plant resulted in significant unabsorbed costs. Despite the strike the division was able to meet its order commitments and maintain market share.

While the strike had an adverse effect on both the division and the involved employees, the plant reopened in November in an atmosphere of improved understanding between the two parties.

A number of changes were made to strengthen management and improve productivity throughout the division.

Export orders, particularly from Middle East countries, grew considerably during the year. The increased volume and present depressed level of the Canadian dollar are improving the profit prospects.

Productivity of the western Canadian plants was reduced by a high rate of labour turnover. This condition appears to be lessening and should not be a significant factor in 1981. Labour contracts at two plants expire during 1981.

The current backlog is triple the amount of one year ago and includes a substantial amount of export orders. Domestic markets are likely to be unchanged — strong in the west and weak in the east. Sales and profits for 1981 are expected to improve over 1980.

**Iron foundry sales**
Foundry & Pipe Divisions


| | 1980 | 1979 |
|---|---|---|
| **Net sales** | | |
| Foundry | **70,553** | 71,030 |
| Pipe | **75,288** | 66,811 |
| | **145,841** | 137,841 |
| Operating profit | **9,219** | 6,575 |
| Identifiable assets | **72,277** | 74,703 |
| Capital expenditures | **2,072** | 2,527 |
| Depreciation | **3,230** | 3,567 |

### Tamper

1980 was disappointing, with sales up only moderately and operating profits lower than the previous year.

Freight activity for U.S. railroads was lower than anticipated — the increase in commodity ton/miles i.e. grain and coal, was less than the drop in ton/miles for autos, housing products and general merchandise. This condition, together with high interest rates, reduced railway expenditures for equipment and parts. A substantial increase in product development and engineering related costs also reduced profits.

Major export sales were made in 1980 to Argentina and Mexico. The Australian operation completed production and delivery of a P-811 track renewal train. This very large machine was shipped 3,000 miles by truck from Melbourne to northern Australia for use on rail lines serving mining developments in that area.

Capital expenditures were at about average levels and included additional numerical controlled machine tools which will increase capacity and lower costs.

With the U.S. economy in recession, Tamper anticipates a fairly soft start into 1981, then picking up in the second half of the year. Sales for the year may be up slightly over 1981 but profits could show a higher rate of increase.

Longer term, the division is bullish on its prospects. The world energy problems, government deregulation and railroad mergers in the U.S. should all provide a positive impetus to the railway track maintenance business.

### Matisa

Further progress was made during 1980 in gaining selected market share. Profits equalled the previous year. Results were below corporate targets but are showing steady improvement year over year.

Production throughout 1980 was at a high level and the division increased productivity and shortened delivery times. Capital expenditures were directed to increasing capacity and reducing costs and included numerical control machine tools.

Work is continuing on new and improved products. The P-811S compact version of the very successful track renewal train was commissioned for work on the Frejus Tunnel. This 13.8 kilometre tunnel connecting France and Italy is the longest in Europe and presented particularly difficult conditions because of limited space and visibility.

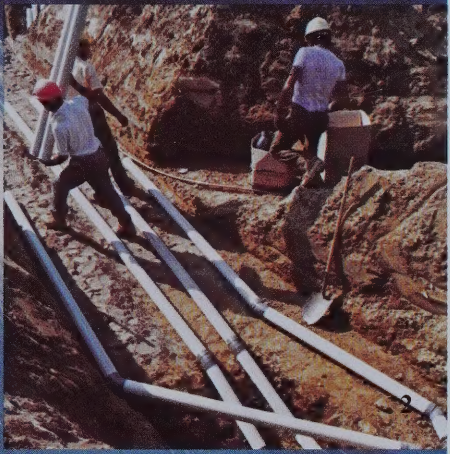
Other developments include new generations of ballast cleaners and ballast regulators. Orders are already in hand and delivery of the first machines will be made in 1981.

The year 1981 opened with a good backlog of orders and the outlook is for a fairly substantial increase in sales.

### Pacific

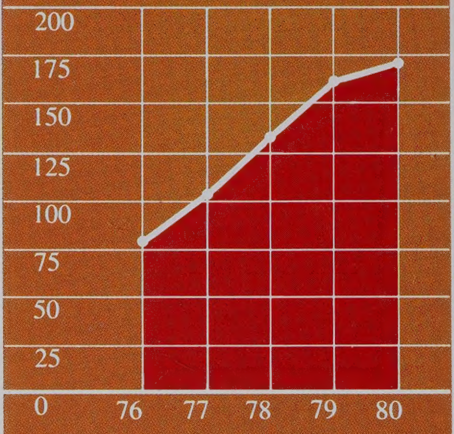
Capacity operations throughout most of 1980 resulted in record sales and profits.

Capital expenditures in the year included completion of a plant addition and installation of new machine tools



***Water*** *(left and inset top) Water is essential to life. For people, for cities and for industries. Canron Pipe and Canron Plastics apply modern materials and engineering to the ancient science of transporting fresh water from its source to where it is needed and carrying away waste and drain water.* **1.** *Lightweight drainage pipe from the Plastics division speeds modern building projects.* **2.** *Polyeurathane insulated iron water pipe from the Pipe division is designed for service in northern communities.* **3.** *Large diameter Hyprescon water pipe is installed at a pumping station in Montreal.* **4.** *Foundry division's St. Thomas plant produces municipal, transportation and industrial castings.*

**Machinery & equipment sales**
Metal forming & general —
Pacific & Mechanical Divisions
Railway track maintenance —
Tamper & Matisa Divisions




| | 1980 | 1979 |
|---|---|---|
| **Net sales** | | |
| Metal forming & general | **48,938** | 47,164 |
| Railway track maintenance | **124,637** | 114,015 |
| | **173,575** | 161,179 |
| Operating profit | **13,372** | 17,558 |
| Identifiable assets | **119,385** | 109,613 |
| Capital expenditures | **4,327** | 7,101 |
| Depreciation | **2,980** | 2,803 |

designed to increase capacity and productivity.

The increased capacity is part of the division's longer term strategy to expand product lines and move more aggressively in international markets. The division's international operations were temporarily set back in 1980 with the bankruptcy of its Belgian licensee. Alternative solutions are under review and the division expects to become even stronger in Europe within a short time.

Expenditures continued on new product development with the introduction during the year of an OBL press to complement the very successful OBS press introduced in 1978. An electronic programmable control system (microprocessor) is now available for presses and will be added to other equipment shortly.

As in past years, a record in machine size was added with delivery of a 1,000-ton capacity horizontal straightening press to Chrysler Defence Manufacturing Corporation.

The U.S. recession began to have an impact on Pacific early in the second half of 1980. Incoming orders slowed perceptibly and the backlog declined throughout the second half of the year. As a consequence, the backlog going into 1981 was one-half of the previous year's amount.

The division predicts a slow first half for 1981 with a pickup starting in the second part of the year. The current labour contract expires in 1981.

Based on the foregoing, sales and profits for 1981 are not likely to reach the record levels established in 1980.

**Mechanical**
A five month strike commencing late in June and lasting until early November completely disrupted the division's 1980 operating plan. As a result, sales were substantially lower than planned and the division incurred an operating loss for the year.

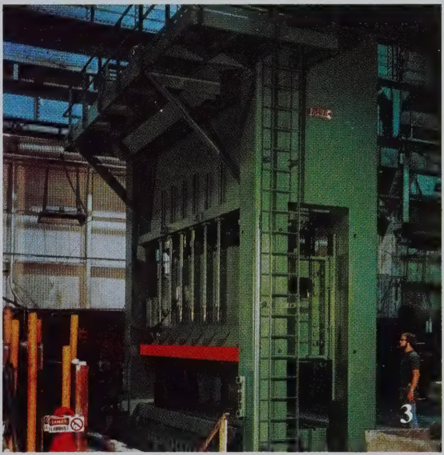
A major restructuring of the division took place while the strike was in progress. A number of product lines which could not be expected to produce reasonable future profits were dropped. Plant facilities were reorganized and surplus equipment sold.

Under its new structure, the division will focus on its proprietary pulp and paper machinery products and spare parts for rolling mill and general equipment.

Once the strike was settled, operation of the restructured business started quickly and smoothly. The division moved into 1981 with a large backlog including the carryover of major contracts originally scheduled for completion in 1980.

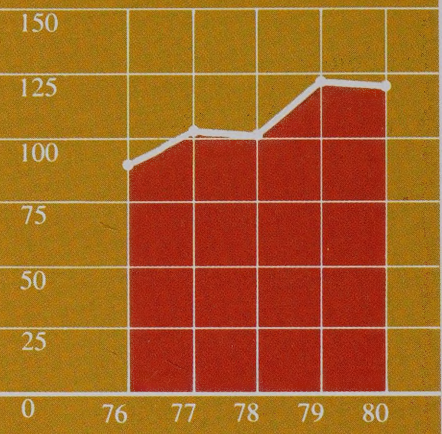
Prospects for pulp and paper equipment appear good and sales and profits for 1981 should meet the goals of restructuring. In addition there is some carryover of profits from the previous year on contract completions deferred as a result of the strike.

**Eastern Structural**
The forecast of increased sales for 1980 was accurate. The 1980 profit forecast proved to be conservative and profits

***Rail*** *(left and inset top) Canron smooths the way for the world's railroads. Sophisticated rail maintenance equipment from Tamper and Matisa maintain rail lines on five continents. Canrep provides a variety of rail transportation equipment from couplings to passenger seating and Foundry produces railway brake shoes by the thousands. Eastern Structural fabricated and erected Terminal II at Toronto International Airport while Pacific Press manufactures presses that form the fuselage sections of jumbo jets.*
**1.** *The new JRM tamper is a small, heavy duty machine, specially designed for small railroads and independent contractors.* **2.** *The Matisa B242 tamper is designed to European rail standards.* **3.** *This giant 1,000 ton OBS hydraulic press has set another size record for Pacific press.*

**Steel fabrication & service**
Eastern, Western, Star Iron & Steel Divisions




| | 1980 | 1979 |
|---|---|---|
| Net sales | **120,791** | 123,768 |
| Operating profit | **7,916** | 2,305 |
| Identifiable assets | **52,484** | 48,701 |
| Capital expenditures | **1,623** | 1,325 |
| Depreciation | **1,273** | 1,151 |

were up substantially over the previous year. The gain came mainly from improvements in fabrication and erection costs performance on a number of contracts.

The Toronto shop operated at its normal capacity throughout the year. New orders included 7,000 tons for the Atikokan Generating Station and 3,300 tons of miscellaneous steel at Bruce B — both for Ontario Hydro. Also received were various contracts for General Motors of Canada in connection with a major program for downsizing their automobiles.

Construction Services made significant gains during the year. This unit was successful in work at the Elliot Lake site of Denison Mines following a fire which caused considerable damage to a uranium concentrator.

A somewhat unusual job of reinforcing and expanding an existing building in New York City was completed in 1980. The job involved a very high proportion of construction services work.

The only real negative in the year was a strike at the division's Montreal plant. This began early in June and lasted eight months. While a settlement was finally reached in February, 1981, the unsatisfactory terms and conditions of the contract, together with poor long term market prospects for the region brought about a decision to close the Montreal operation at the end of May, 1981.

In October, Canrep division's electrical bus duct business was transferred to Eastern. The management of this operation is similar to Eastern's other products and the transfer is expected to enhance the future prospects and results of the bus duct product.

The availability of low cost mill steel from domestic sources is an ongoing concern. Labour contracts with shop and drawing office unions expire in the second half of 1981.

Both the short and long term outlook for the division remain good with the base load expected to come from major energy related projects. Shop activity is likely to be at capacity level throughout 1981. The value of contracts to be closed in 1981 is expected to be higher than 1980, although profits may be slightly below the excellent results of 1980.

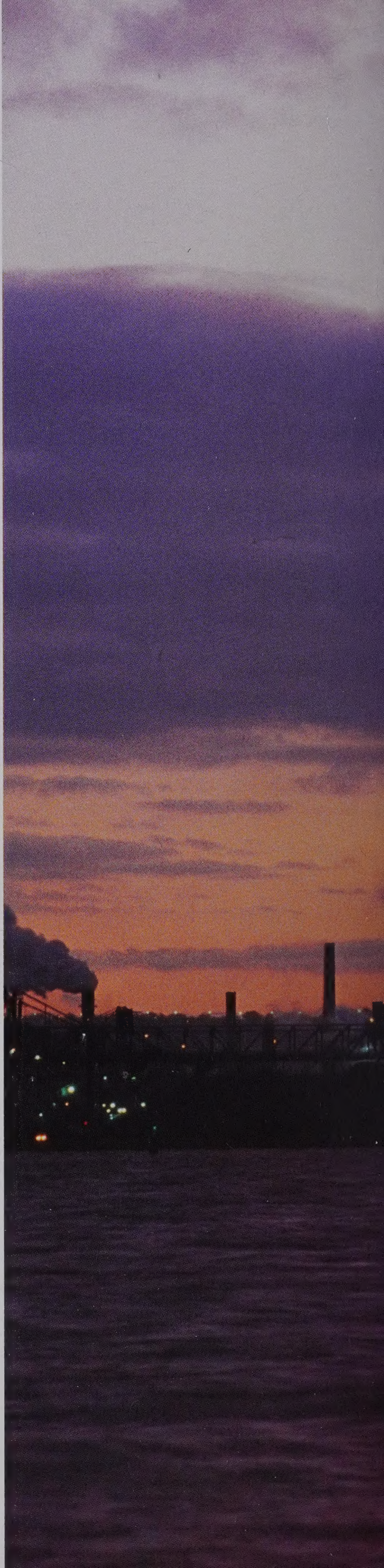
**Western Bridge**

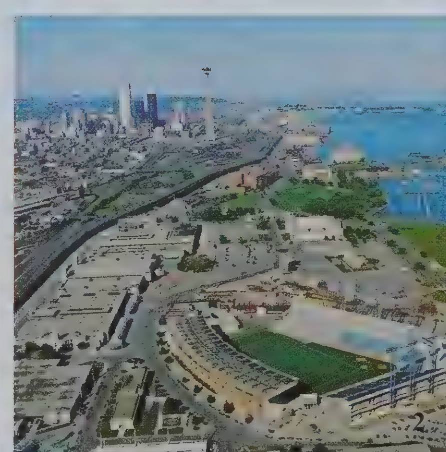
The value of completed contracts rose in 1980 compared to the previous year with an even greater increase in the operating profit.

Star Iron, Tacoma, was separated from Western Bridge at the beginning of 1980 and this comparison excludes the results of Star.

New orders and work completed in the year covered a variety of industry sectors, including pulp and paper, utilities, mining and bridges.

A particularly difficult job was successfully done on the Second Narrows Bridge in Vancouver Harbour. This bridge was badly damaged when it was rammed by a ship. Several thousand miles to the south, a major new bridge was erected over the Rio Chirripo river



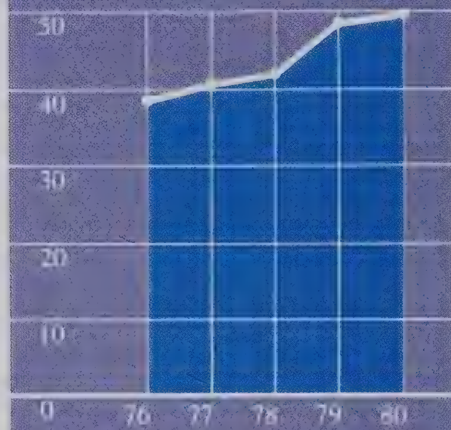




**Steel***(left and inset top) Iron and steel are the very essence of Canron. The Foundry division casts iron to make moulds in which steel ingots are cast. Pacific Press uses some of the heaviest steel plate manufactured in North America to make hydraulic machinery that shears, bends and forms steel, and the Structural divisions fabricate structural steel to form the framework of new steel mills.*

**1.** *Eastern Structural division ironworkers erect steel for a Hamilton steel mill expansion.*

**2.** *From the lighting poles at the CNE stadium to the downtown skyscrapers and the top of the CN tower, Canron has made a major contribution to the Toronto skyline.*

**Other**
Plastics & Canrep Divisions




| | 1980 | 1979 |
|---|---|---|
| **Net sales** | **49,495** | 49,408 |
| Operating profit | **3,297** | 3,680 |
| Identifiable assets | **20,739** | 18,601 |
| Capital expenditures | **1,011** | 715 |
| Depreciation | **714** | 606 |

in Costa Rica.

A separate Construction Services operation in Alberta was established in 1980. This unit specializes in the installation and commissioning of electrical and mechanical machinery, with particular emphasis on energy related projects. The move is part of the division's strategy of greater involvement in construction services work.

Skilled labour continues to be in short supply in the Vancouver area. The division has been forced to expand its recruiting to offshore labour markets in an attempt to overcome a near chronic problem.

Prospects for 1981 are good with sales and operating profits likely to be substantially higher. Although the opening backlog is below the previous year, market conditions are strong, particularly in the U.S. northwest, B.C. forest and coal industries, and Alberta-based utility, energy and commercial construction projects. Prospects are good for high rise office construction in the western provinces.

**Star Iron**

Although sales in 1980 were about one-third the previous year, operating results were about break-even. This compares favourably with the substantial loss in 1979 resulting from very poor performance on two large contracts.

An uneven work load throughout 1980 contributed to the unsatisfactory results. On the other hand, major new orders were received for commercial container and specialized U.S. Navy cranes. These are long lead-time contracts stretching into 1982.

Fifty-four wellhead shelters for oil production facilities on the north slope at Prudhoe Bay, Alaska, were completed in 1980.

A four week strike at the division caused some work dislocation and economic loss in the third quarter.

Additional department managers and supervisors were added during the year to carry out plans for greater activity in selling parts and service. This will also position the division to meet the increasing world requirements for container cranes.

Particular attention is being given in 1981 to obtaining short lead-time work. This is essential for 1981 profitability as the very high beginning backlog is largely for completion during 1982.

**Plastics**

Despite reduced sales Plastics again delivered satisfactory results with profits moderately higher than the previous year.

Decreased housing starts reduced demand for many of the division's products. Sewer pipe, which showed good promise in 1979, was a particularly poor performer throughout 1980 and has been de-emphasized in the division's current product strategy.

In spite of the generally soft markets, selling prices in 1980 were fairly stable. A major contributor to the successful results was the production cost controls implemented in the previous year.

***Paper*** *(left and inset top) The vast stands of Canadian forest supply the renewable resource for the pulp and paper industry. Canron has steadily grown as a supplier to the industry with machinery from Mechanical, structural steel from the Structural divisions, castings from Foundry and industrial supplies from Canrep.*

**1.** *This west coast pulp mill owes its structure to the steel fabricating and erecting skills of the Western Bridge division. A positive displacement pump* (**2**) *and a row of bleach plant drum washers* (**3**) *from the Mechanical division help produce high grade bleached kraft pulp.* **4.** *Canrep provides an extensive variety of industrial products and supplies from a Canada wide network of warehouses and service centres.*

Plastic resins were generally in plentiful supply. Prices rose in the first half of the year and then softened toward the end of the year.

Capital spending in 1980 was directed mostly to cost reduction projects and involved no major items. Considerable attention was given by divisional management to reducing the level of operating investment, particularly in the areas of inventories and accounts receivable.

The division designed, manufactured and began in 1980 to market a new and unique backwater valve which has proved very successful in Quebec.

Market conditions in 1981 are not likely to show much change from 1980 with sales expected to show a modest increase, and operating profit about the same. The division plans to increase its penetration in western Canada and for this reason will likely increase capital spending in 1981.

**Canrep**

The division's forecast for 1980 proved overly optimistic. The downturn in the Canadian economy was more severe than expected. Sales were flat and profits declined compared with the previous year. Western and Maritime operations were the exception as both areas improved in 1980.

The ongoing review of product lines brought about several changes. Again, a number of lines were given expanded geographic distribution. The division's modest venture in valve repair operations was discontinued early in 1981. The lift truck business has proved to be more difficult and competitive than originally anticipated and activity in this area has been scaled back.

Management of the electrical bus duct product line was transferred late in the year to the Eastern Structural division. This product has been increasingly successful and the manufacturing and contract type operation are better suited to the Eastern Structural division.

Sales in 1981 are expected to show a major increase over 1980. Profits will grow more slowly as expansion and related expense erode some of the gains from the higher sales.

1


2

3

***Mining and energy*** *(left and inset top)* *Canron is deeply involved in the mining and energy sectors. The Structural divisions have fabricated and erected hydro electric, thermal and nuclear power plants, electrical distribution equipment and mine structures. Foundry supplies the mining industry with a variety of castings and underground transportation products.*
**1.** *Eastern Structural aesthetic steel poles carry electric transmission lines with minimum space and maximum "beauty"* **2.** *Prefabricated wellhead shelters from Star Iron division are used in servicing oil well "Christmas trees" in Alaska.* **3.** *Ontario Hydro's Bruce nuclear generating station is the largest tonnage structural steel project in Canada — an Eastern Structural division contract.*

# Personnel

In 1980, 23 collective agreements were negotiated. Eighteen were renewed for two year periods in an amicable and co-operative spirit. Strikes of five months duration at the Trois-Rivières plants of Pipe and Mechanical divisions, an eight month strike at the Montrèal plant of Eastern Structural division, together with strikes of shorter duration at the Burlington Street ingot mould plant and Star Iron, Tacoma, caused substantial losses to both the Corporation and its employees.

In early February, 1981, the strike at the Montreal plant of the Eastern Structural division was settled and at the same time a decision was taken to close the plant at the end of May. As a consequence of the high wage rates resulting from the strike settlement and serious prospects of poor future markets, this plant is no longer competitive.

1980 was one of the heaviest and certainly the most difficult bargaining year in the Corporation's history. Wages and benefits were the contentious items. However, at two locations, the main issues concerned proposals which would restrict management's ability to plan and direct the operations. Settlements, including some form of cost of living adjustment, averaged 11% per year.

In 1981, nine collective agreements are scheduled for negotiation.

The program to upgrade management skills and provide employees with opportunity for growth continued successfully during 1980. Several management personnel were transferred to jobs with different business environments. This facilitated promotion of other employees within their own division.

A training program for young graduates has been adopted by a majority of the divisions. The program is designed to recruit university graduates and train them through job rotation in the various functional operations in the divisions.

A two-day seminar attended by 70 management employees was held in October. The working sessions concentrated on development of management skills with particular emphasis on goal setting, delegation and action planning.

In anticipation of a continuing shortage of skilled tradesmen during the 1980s, hiring practices have been strengthened and on-the-job training supported by classroom instruction has been increased. A company-wide educational assistance program provides encouragement and tangible financial assistance for courses in work related subjects.

To overcome the continuing shortage of skilled trades, particularly in western Canada, Western Bridge division, in December, with the approval of the Department of Employment and Immigration, recruited 12 fitters from Great Britain. They will start work in March, 1981.

Health and safety of employees continues to be a major objective and is an integral part of the Corporation's operating practices. The 1980 accident reduction program was successful in most plants. Plants with safety problems are continuing to receive special attention. Active employee participation in developing the program is encouraged and first aid and safety training is provided in all plants. The Corporation believes in maintaining clean and

healthful working conditions and significant improvements in plant and environmental conditions have been achieved.

In 1980, Eastern Structural completed a major structural steel erection contract in New York City employing up to 210 members of the New York City Local of the International Association of Bridge, Structural & Ornamental Ironworkers. Once again the division experienced excellent working relations with the ''Ironworkers'' with whom it has had an international agreement for many years.

Late in 1979 a freighter rammed CN's Second Narrows Bridge, putting it out of commission. Western Bridge divisional employees showed ingenuity, skill and team effort in rapidly repairing this vital rail link in Vancouver.

In October, the Association of Professional Engineers of B.C. granted Don Jamieson, Chief Engineer, and Gordon Ward-Hall, Operations Manager of Western Bridge, the Association's Meritorious Service Award for their notable work in connection with the Vancouver bridge. Mr. Jamieson, who also received the award in 1979, is the only engineer in B.C. twice honoured by the Association.

# Financial review

**Summary**

1980 financial results of the Corporation were reasonably satisfactory considering the variety of economic problems and social and political uncertainties which existed in North America and most other parts of the world.

Net earnings were up $2.2 million or 16.8 percent over 1979. Operating profit (business segments) gained $3.7 million against the previous year's results. Interest and other financial expense rose sharply in 1980; however, the increase was offset by a lower provision for income tax.

**OPERATING RESULTS**

| (millions of dollars) | 1980 | 1979 |
|---|---|---|
| **Sales** | **489.7** | **472.2** |

Inflation and strikes were the key factors in this year's increase of $17.5 million over 1979.

Price increases, which were largely related to rising costs, accounted for about $39 million of total sales. Volume fell by around $21 million. A significant portion of the drop in volume was attributable to strikes in 1980.

Weighted average exchange rates for translation of non-Canadian operating results were as follows (1979 in parentheses):

United States
US$ 0.85/C$ 1.00 (0.85/1.00)
Switzerland
Sfrs 1.44/C$ 1.00 (1.39/1.00)

The year-over-year variation in average exchange rates had a minor negative impact on reported sales.

Details of sales by business segments are included in the financial statements — Note 10. Additional information is given in the Operating Review section.

Sales by non-Canadian operations totalled $154.9 million compared with $140.1 million last year. Exports by


Canadian divisions amounted to $55.8 million (1979 — $46.9 million) and included the United States, Central America and Middle East countries.

The 1980 order backlog at year-end was $253.5 million, an increase of $6.5 million over the previous year-end. Pipe and Star Iron divisions showed significant increases. Pacific Press backlog was half the prior year balance — a direct reflection of the current recession in the U.S.

| | 1980 | 1979 |
|---|---|---|
| Sales | 489.7 | 472.2 |
| Cost of sales | 403.5 | 397.8 |
| **Gross margin** | **86.2** | **74.4** |
| % of sales | 17.6% | 15.8% |

The gain of 1.8 points in the rate of gross margins was largely the result of improvements in construction contract margins. Losses were incurred in 1979 on three major contracts.

Margins of nearly all operations improved, reflecting heightened attention to cost controls and productivity improvements. The exception was general machinery (Mechanical division) which showed a loss at the gross margin level due to a lengthy strike.

| | | |
|---|---|---|
| **Selling and administration expense** | **57.3** | **46.4** |
| % of sales | 11.7% | 9.8% |

The increase in selling and administrative expense beyond the effects of inflation included higher amounts of commissions as a result of more sales in 1980 through distributors and agents. A number of divisions expanded their sales departments as part of their strategy to increase sales and market share.

Roughly half of the 1.9 percentage point increase in the selling and administrative cost percentage of sales resulted from the strike-related reduction of 1980 sales. There was no commensurate decrease in the costs of selling and administration activities since these were largely ongoing throughout the strike periods.

| | 1980 | 1979 |
|---|---|---|
| **Interest expense** | **7.4** | **5.4** |

The much publicized rise in short-term interest rates was responsible for about two-thirds of the $2.0 million increase in interest expense. The remainder of the increase resulted from a higher average level of short-term borrowing to cover increased amounts of working capital.

The effective interest rate for 1980 was 11.3 percent, up 1.6 percentage points over last year. Bank prime lending rates in Canada were on average 1.6 percentage points higher in 1980 than in 1979. The increase in the average rate in the U.S. was 2.7 percentage points.

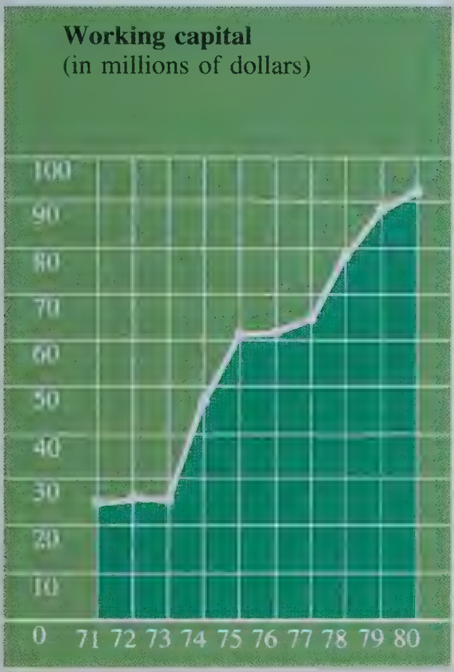
| | | |
|---|---|---|
| Net earnings before tax | 21.4 | 22.6 |
| **Income tax** | **6.1** | **9.5** |
| Effective rate | 28% | 42% |

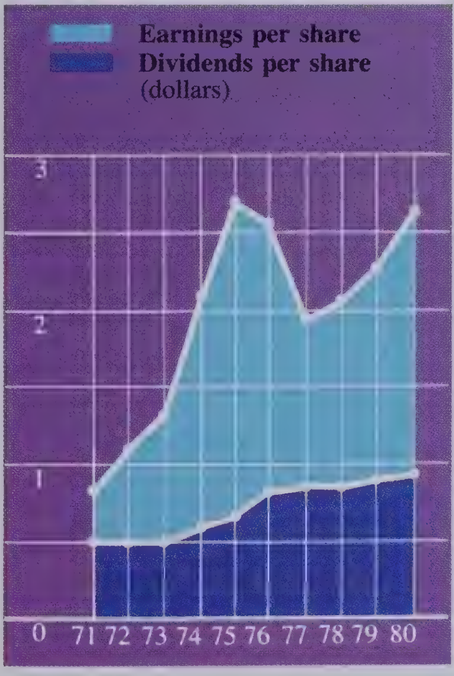
The tax provision routinely includes appropriate allowance for issues and contingencies which might arise in connection with the unaudited tax returns.

Based on favourable developments during the year with respect to a longstanding U.S. tax dispute involving the years 1967-1976, and other general items, it was deemed appropriate to reduce the tax reserve by $2.2 million.

The Corporation established an international finance subsidiary in 1980 to finance operations outside Canada. The interest income of this subsidiary is taxed at rates lower than the Corporation's general operations.

These factors account for the change in the effective tax rate to 28%




for 1980 from 42% previously.

| | 1980 | 1979 |
|---|---|---|
| Sales | 489.7 | 472.2 |
| **Net earnings** | **15.3** | **13.1** |
| % of sales | 3.1% | 2.8% |

The gain in the rate of return on net earnings to 3.1 percent from 2.8 percent of sales came as a result of the lower effective tax rate in 1980. Otherwise the return would have been about the same as the previous year.

| | (dollars) | |
|---|---|---|
| **Earnings per common share** | 1980 | 1979 |
| **Basic** | **2.61** | **2.26** |
| **Fully diluted** | **2.59** | **2.23** |

Basic earnings per common share rose 15.5 percent compared with an increase of 16.8 percent in net earnings. The difference in the rates of increase is due to a modest increase in the amount of preferred share dividends together with an increase to 5,385,000 from 5,301,000 in the average number of shares outstanding.

The number of convertible preferred shares still outstanding continues to diminish and the dilution factor is now less than 1 percent.

Return on common shareholders' equity for 1980 was 15.1 percent compared with 13.9 percent the previous year. It should be noted that the comparable rate for 1979 differs from the rate reported previously. The Corporation has adopted a revised formula which it believes is more widely used in determining return on equity.

The revised formula relates basic earnings per share for the year to the opening book value of common shareholders' equity. Previously, the year-end book value was used. The information on basic earnings in the ten year review, pages 28 and 29, has been restated using the revised formula.

**FINANCIAL POSITION**

| | (millions of dollars) | |
|---|---|---|
| | 1980 | 1979 |
| **Working capital** | **92.7** | **88.9** |

The 1980 year-end working capital ratio was 1.65:1 compared with 1.75:1 the previous year. The relationship to sales was virtually unchanged; 1980 — 18.9 percent and 1979 — 18.8 percent.

The major factor accounting for the increase in working capital was Accounts Receivable. The amount of receivables outstanding at year end was equivalent to 67 days of sales, an increase of five days over 1979 but in line with prior years' experience.

Short-term borrowing by the Corporation is primarily to finance periodic increases in working capital. Both short-term borrowing and lending are also an integral part of its currency hedging operations. Because of this interrelationship, they are managed by the Corporation on a net basis. Bank advances and notes payable increased from \$30.5 million to \$48.2 million. Short-term investments also increased — from \$14.4 million to \$27.1 million. On the net basis, short-term indebtedness increased by \$5.0 million in 1980.

The Corporation continues to maintain substantial lines of short-term bank credits. The maximum amount used in the course of 1980 was 49 percent of the total short-term credit available.

Year-end foreign currency rates used for translation of non-Canadian working capital accounts, with 1979 rates in parentheses, were as follows:
United States
US\$ 0.840/C\$ 1.00 (0.855/1.00)
Switzerland
Sfrs 1.504/C\$ 1.00 (1.35/1.00)

| Distribution of sales dollar | **1980** | 1979 |
|---|---|---|
| Cost of sales | **82.4¢** | 84.2¢ |
| Selling & administrative expense | **11.7¢** | 9.8¢ |
| Interest expense | **1.5¢** | 1.2¢ |
| Income taxes | **1.3¢** | 2.0¢ |
| Earnings | **3.1¢** | 2.8¢ |
| Dividends | **1.3¢** | 1.3¢ |
| Retained earnings | **1.8¢** | 1.5¢ |
| | **3.1¢** | 2.8¢ |

| | 1980 | 1979 |
|---|---|---|
| **Capital expenditures** | **9.2** | **12.3** |
| **Depreciation** | **8.3** | **8.3** |

Plans called for expenditures totalling nearly $17 million in 1980. As the year progressed, these plans were reassessed in the light of deteriorating economic conditions and rising interest costs. Capital spending was cut back and focused primarily on cost reduction projects and replacement of essential equipment and facilities.

| | 1980 | 1979 |
|---|---|---|
| **Deferred income tax** | **12.1** | **14.7** |

The reduction in the deferred tax balance reflects the adjustment of tax reserves which was described in the preceding comments on the 1980 income tax provision.

| | 1980 | 1979 |
|---|---|---|
| **Long-term debt** | **25.6** | **27.5** |

Debt repayment in 1980 totalled $1.9 million. This amount includes $1.5 million of bonds purchased in the open market for application against the prescribed sinking fund installments. Significant savings through purchase discounts were realized on these transactions. At the end of 1980 all of the Corporation's 1981 Canadian debentures sinking fund obligations and a small portion of the 1982 amounts had been prepaid.

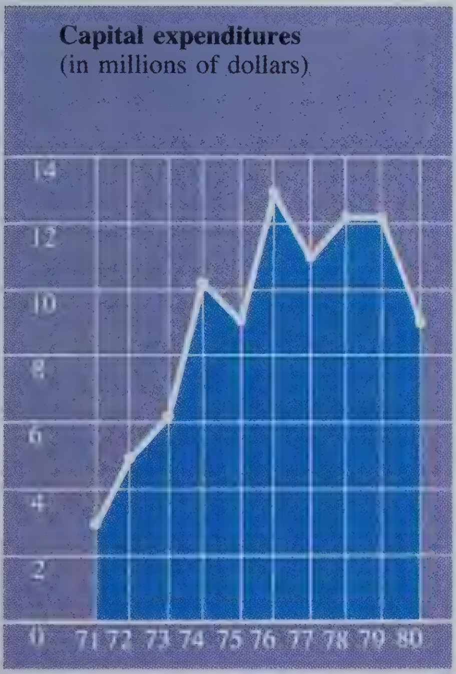
The ratio of long-term debt to equity at the end of 1980 was 18:82 (1979—20:80).

| | 1980 | 1979 |
|---|---|---|
| **Shareholders' equity** | | |
| **Preferred** | **15.3** | **15.7** |
| **Common** | **102.9** | **92.5** |

The common share book value increased $1.61 to $18.96 at the end of the year.

Market trading activity in Canron common shares on the Toronto and Montreal stock exchanges increased sharply in 1980 and totalled 2,022,000 shares compared with 921,000 in 1979. A significant number of blocks were traded and retraded during 1980 and these account for the higher volume of trading.

Additional details of stock trading




activity are provided on the inside front cover.

The number of common shareholders increased to 3,693 from 3,670 the previous year-end. This reverses the decline which occurred during the previous four years. The number of shares outstanding at December 31, 1980 was 5,428,414 (1979 - 5,329,703). About 63 percent of these were held by institutions against 65 percent last year.

The interconversion during 1980 of 'A' and 'B' common shares resulted in doubling the number of 'B' shares to 6.3 percent of the total common shares outstanding.

Preferred equity consists largely of the floating rate series shares issued in 1978. Less than 7 percent of the 1974 series convertible preferred shares remain outstanding — 3,860 of these shares were converted to common shares in 1980.

Canadian bank prime interest rate is the basis for the dividends on the floating rate preferred share. The current high level of interest rates has raised the dividend rate above the after-tax cost of conventional debt financing. This situation is being monitored and appropriate action will be taken if the condition persists.

| | (dollars) | |
|---|---|---|
| | 1980 | 1979 |
| **Common share dividends - annual rate** | **0.92** | **0.875** |

The quarterly dividend rate of $0.23 per common share set in the fourth quarter of 1979 was maintained in 1980. The dividend payout in 1980 was 35 percent of net earnings. The payout for the past ten years has averaged 34 percent. The Corporation's dividend payout target is to average 35-40 percent of net earnings.

Comparable yields based on the 1980 average prices and dividends of Canron common and the Toronto Stock Exchange (TSE) composite equity portfolio were: Canron, 6.1 percent; TSE, 3.8 percent.

Holders of Class 'B' common shares received 13,560 'B' shares compared with 6,907 shares in 1979 under the stock dividend option. The stock dividends are set at a rate equivalent to the cash dividend paid on 'A' shares.

**Other comments**

A decision to close the Montreal plant of Eastern Structural division was taken subsequent to year-end (Note 11 to the 1980 Financial Statements). The plant will operate until May 1981 at which time it will be closed.

It is estimated that the after-tax cost of employee severance and other benefit payments, transfer and disposal of inventory and sale of land, building and equipment will total about $1.1 million. The cost will be recorded in the second quarter of 1981 as an extraordinary item.

# Consolidated statement of earnings

Year ended December 31, 1980 (thousands of dollars)

| | | 1980 | 1979 |
|---|---|---|---|
| **Sales** | | **489,702** | 472,196 |
| **Costs and expenses** | | | |
| | Cost of sales | **403,532** | 397,784 |
| | Selling and administrative | **57,334** | 46,437 |
| | Interest | **7,392** | 5,363 |
| | Income taxes (note 8) | **6,109** | 9,497 |
| **Net earnings** | | **15,335** | 13,115 |
| **Earnings per common share** | | | |
| | Net earnings | **15,335** | 13,115 |
| | Less: preferred share dividends | **1,292** | 1,159 |
| | Net earnings available to common shares | **14,043** | 11,956 |
| | Average number of common shares outstanding | **5,384,965** | 5,300,853 |
| | Earnings per common share (dollars) | **2.61** | 2.26 |

# Consolidated statement of retained earnings

| | | 1980 | 1979 |
|---|---|---|---|
| **Balance beginning of year** | | **79,541** | 72,313 |
| **Net earnings** | | **15,335** | 13,115 |
| | | **94,876** | 85,428 |
| **Dividends** | | | |
| | Preferred shares | | |
| | 1974 Issue | **27** | 55 |
| | Series 'A' | **1,265** | 1,104 |
| | Common shares | | |
| | Class 'A' | **4,729** | 4,610 |
| | Class 'B' | **238** | 118 |
| | | **6,259** | 5,887 |
| **Balance — end of year** | | **88,617** | 79,541 |

## Auditors' report to the shareholders

We have examined the consolidated statement of financial position of Canron Inc. as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1980 and the results of its operations and the changes in its working capital for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered accountants
Toronto, Ontario, February 11, 1981
(February 20, 1981 as to note 11)

# Consolidated statement of financial position

December 31, 1980 (thousands of dollars)

| | | 1980 | 1979 |
|---|---|---|---|
| **Current assets** | | | |
| | Cash | **2,133** | 1,404 |
| | Short-term investments | **27,124** | 14,429 |
| | Accounts receivable | **91,074** | 80,791 |
| | Inventories (note 1) | **112,855** | 109,747 |
| | Prepaid expenses | **1,372** | 1,642 |
| | | **234,558** | 208,013 |
| **Current liabilities** | | | |
| | Bank advances and notes payable | **48,163** | 30,457 |
| | Accounts payable | **78,430** | 73,269 |
| | Dividends | **1,254** | 1,237 |
| | Income taxes — current | **2,990** | 6,153 |
| | —deferred | **10,415** | 7,300 |
| | Long-term debt — current portion (note 4) | **631** | 682 |
| | | **141,883** | 119,098 |
| **Working capital** | | **92,675** | 88,915 |
| **Fixed assets (note 2)** | | **61,534** | 61,019 |
| **Other assets (note 3)** | | **1,828** | 514 |
| **Capital employed** | | **156,037** | 150,448 |
| **Represented by:** | | | |
| **Deferred income taxes** | | **12,145** | 14,732 |
| **Long-term debt (note 4)** | | **25,648** | 27,520 |
| **Shareholders' equity (note 5)** | | | |
| | Preferred shares | **15,338** | 15,725 |
| | Common shares | **14,289** | 12,930 |
| | Retained earnings | **88,617** | 79,541 |
| | | **118,244** | 108,196 |
| | | **156,037** | 150,448 |

Signed on behalf of the Board

H.J. Lang, Director

C.S. Malone, Director

# Consolidated statement of changes in working capital

| Year ended December 31, 1980 | | (thousands of dollars) | |
|---|---|---|---|
| | | **1980** | 1979 |
| **Source of working capital** | | | |
| | Net earnings | **15,335** | 13,115 |
| | Depreciation and amortization | **8,382** | 8,383 |
| | Deferred income taxes | **(2,587)** | 6,515 |
| | Provided from operations | **21,130** | 28,013 |
| | Fixed asset disposals | **311** | 506 |
| | Proceeds from issue of common shares | **776** | — |
| | | **22,217** | 28,519 |
| **Use of working capital** | | | |
| | Working capital — increase | **3,760** | 9,140 |
| | Fixed asset additions | **9,171** | 12,311 |
| | Long-term debt repayment | **1,872** | 2,053 |
| | Other assets | **1,351** | (776) |
| | Dividends | **6,063** | 5,791 |
| | | **22,217** | 28,519 |

## Changes in elements of working capital

| | | 1980 | 1979 |
|---|---|---|---|
| **Current assets — increase (decrease)** | | | |
| | Cash | **729** | 402 |
| | Short-term investments | **12,695** | 11,932 |
| | Accounts receivable | **10,283** | 7,055 |
| | Inventories | **3,108** | 4,618 |
| | Prepaid expenses | **(270)** | (36) |
| | | **26,545** | 23,971 |
| **Current liabilities — increase (decrease)** | | | |
| | Bank advances and notes payable | **17,706** | 5,774 |
| | Accounts payable and dividends | **5,178** | 8,756 |
| | Income taxes — current | **(3,163)** | 6,153 |
| | — deferred | **3,115** | (5,822) |
| | Long-term debt — current portion | **(51)** | (30) |
| | | **22,785** | 14,831 |
| **Increase in working capital** | | **3,760** | 9,140 |

# Summary of accounting policies

Year ended December 31, 1980

| | |
|---|---|
| **Basis of accounting** | The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada, and also conform in all material respects with International Accounting Standards. |
| **Consolidation** | The consolidated financial statements include the accounts of all subsidiaries. All inter-corporate balances and transactions are eliminated. |
| **Revenue recognition** | Sales are recorded when goods are shipped, services are provided and construction contracts are completed. |
| **Income taxes** | Income taxes are based on earnings reported in the consolidated financial statements. Timing differences for payment of taxes result from deferral of earnings on contracts in progress, as well as from tax incentives such as accelerated depreciation. Taxes arising from these differences are accounted for as current or non-current deferred income tax liabilities, depending on the nature of the asset which gives rise to the timing difference. These timing differences do not reduce the amount of taxes ultimately payable. |
| **Inventory valuation** | Inventories are valued at the lower of cost and market. Costs are determined on a first-in, first-out (FIFO) basis. Manufactured inventories include costs for materials, labour and factory overhead. Costs incurred to date on uncompleted contracts are classified as work-in-progress. Progress billings on contracts are deducted from work-in-progress. |
| **Fixed assets** | Land, buildings and equipment are recorded at cost.<br>Depreciation is based on the estimated useful life of each major classification of assets, calculated principally on the diminishing balance method. The annual rates of depreciation range from 2.5% for some buildings to 30% for automotive and mobile construction equipment.<br>Maintenance, repairs and minor replacements are expensed as incurred. Improvements which significantly increase the useful life of assets are capitalized. |
| **Foreign currency translation** | Net working capital of non-Canadian operations is translated to Canadian dollars at exchange rates in effect at year-end. All other assets and liabilities of non-Canadian operations are translated at historical exchange rates. Sales and expenses of these operations are translated at weighted average exchange rates for the year. On translation of the accounts of non-Canadian operations, any net unrealized gain is deferred and any net unrealized loss is expensed. |

# Notes to consolidated financial statements

| Year ended December 31, 1980 | (thousands of dollars) | |
|---|---|---|
| | **1980** | 1979 |

**1. Inventories**

| | | |
|---|---|---|
| Work-in-progress | **131,015** | 108,938 |
| Less: progress billings | **100,952** | 77,829 |
| | **30,063** | 31,109 |
| Raw materials | **50,263** | 45,825 |
| Finished goods | **32,529** | 32,813 |
| | **112,855** | 109,747 |

**2. Fixed assets**

| | Cost | Accumulated depreciation | Net | Net |
|---|---|---|---|---|
| Land | **4,346** | **—** | **4,346** | 4,204 |
| Buildings | **42,146** | **21,516** | **20,630** | 19,999 |
| Equipment | **109,098** | **72,540** | **36,558** | 36,816 |
| | **155,590** | **94,056** | **61,534** | 61,019 |
| Depreciation expense | | | **8,345** | 8,284 |

**3. Other assets**

Included in Other assets is $1,424,217 of mortgage and Share Purchase Plan loans to employees, of which $836,567 is receivable from Officers of the Corporation. The loans are for periods ranging from five to twenty-one years and are repayable by monthly installments.

**4. Long-term debt**

| | | |
|---|---|---|
| 6 3/4% Sinking Fund Debentures — series 'D', due May 15, 1987<br>Annual sinking fund —<br>$800,000 May 15, 1981 to 1986 | **7,329** | 8,215 |
| 9 1/4% Sinking Fund Debentures — series 'E', due April 1, 1994<br>Annual sinking fund —<br>$650,000 April 1, 1981 to 1986<br>$850,000 April 1, 1987 to 1993 | **12,640** | 13,230 |
| Other debentures and mortgages 4 1/2% to 9 1/2% due at various dates to 1994 | **6,310** | 6,757 |
| | **26,279** | 28,202 |
| Less: current portion | **631** | 682 |
| | **25,648** | 27,520 |

Notes (continued)

December 31, 1980 (thousands of dollars)

Long-term debt (continued)

Payments for the next five years, in accordance with the terms of the debentures and mortgages (assuming the December 31, 1980 exchange rate for 1981 and historical rates for the remainder), are as follows:

| | |
|---|---|
| 1981 — (net of prepayments) | **631** |
| 1982 | **1,684** |
| 1983 | **2,624** |
| 1984 | **1,790** |
| 1985 | **1,621** |

Long-term debt interest expense for 1980 totalled $2,597,000 (1979 — $2,917,000).

**5. Shareholders' equity**

| | **1980** | 1979 |
|---|---|---|
| (a) Preferred shares | | |
| Authorized— | | |
| Unlimited number of Preferred shares, issuable in series, without par value | | |
| Outstanding and fully paid— | | |
| 3,385 $6.00 Cumulative Convertible Redeemable First Preferred shares, 1974 issue | **338** | 725 |
| 600,000 Series 'A' Floating Rate Cumulative Redeemable Retractable Preferred shares | **15,000** | 15,000 |
| | **15,338** | 15,725 |

Each First Preferred share, 1974 Issue, is convertible until April 1st, 1984 at the option of the holder into eight fully paid Class 'A' or Class 'B' common shares. A total of 3,860 shares were converted in 1980 (7,125 in 1979). The shares are redeemable any time at the option of the Corporation at $106 per share; however, a retirement fund which must be commenced in 1985 provides for their redemption at $103 per share.

The Series 'A' Preferred shares are entitled to cumulative dividends at a rate equal to the sum of one half of the Canadian bank prime lending rate and one and one quarter percent applied on $25 per share. Each share is redeemable at the option of the Corporation at $25. No shares may be redeemed prior to June 1st, 1981 unless the dividend formula is altered. The Corporation must offer to purchase 120,000 shares in 1986, 120,000 in 1987 and all outstanding shares in 1988.

| | | |
|---|---|---|
| (b) Common shares | | |
| Authorized — | | |
| Unlimited number of Class 'A' and Class 'B' Common shares without par value | | |
| Outstanding and fully paid — | | |
| 5,085,186 Class 'A' Common shares | **13,201** | 12,445 |
| 343,228 Class 'B' Common shares | **1,088** | 485 |
| | **14,289** | 12,930 |

Notes (continued)

Shareholders' equity (continued)

The Class 'A' and 'B' Common shares are interconvertible with the same rights, privileges, restrictions and conditions, except that dividends on Class 'B' shares may be paid in Class 'B' shares instead of cash.

| | Number of common shares | |
|---|---|---|
| | Class 'A' | Class 'B' |
| Outstanding—January 1,1980 | 5,165,968 | 163,735 |
| Changes during the year— | | |
| —Conversion of First Preferred shares, 1974 Issue | 30,880 | — |
| —Interconversion of 'A' and 'B'—net | (165,933) | 165,933 |
| —Stock dividends (equivalent market value 1980—$196,473; 1979—$96,103) | — | 13,560 |
| —Share Purchase Plan | 54,271 | — |
| Outstanding—December 31, 1980 | 5,085,186 | 343,228 |

A further 5,111 Class 'B' Common shares (market value $78,945) were declared as a stock dividend in November, 1980 to be issued in January, 1981.

**6. Pension plans**

An unfunded past service pension liability estimated at $5,213,816 existed at December 31, 1980 (1979 — $5,826,405). This liability and interest thereon is being funded by equal annual installments which will be charged to operations when paid as follows:

| | (thousands of dollars) |
|---|---|
| 1981—1992 | 602 |
| 1993 | 224 |
| 1994 | 132 |

**7. Research and development**

Expenditures for product research and development in 1980 totalled $2,887,000 (1979—$2,643,600), which is included in cost of sales.

**8. Income taxes**

The 1980 provision for income taxes includes a credit of $2,200,000 (41¢ per share). This amount represents the adjustment of reserves established in prior years for unresolved tax issues and contingencies.

**9. Contingency**

A judgement was rendered April 25th, 1980 by the District Court of South Carolina in favour of Plasser American Corporation against Canron Corp., a subsidiary of Canron Inc., in respect of the manufacture of certain railway track maintenance machinery alleged to infringe patents held by Plasser. Included in the award against the Canron subsidiary were triple damages and attorneys' fees, each to be determined at a later date. The injunctive provisions of the judgement have been stayed. A motion by Canron to set aside the award of triple damages and attorneys' fees was heard by the District Court on September 29th, 1980 and a decision on the motion has not yet been rendered. Canron Corp. plans to appeal the judgement.

Since the amount of loss, if any, cannot be reasonably estimated, no charge to income has been made. If the Corporation loses the appeal, the loss would be accounted for as a prior period adjustment.

Notes (continued)

## 10. Business segments

Financial information on the Corporation's industry and geographic segments is given below. Definitions relative to the information provided are as as follows:

Operating profit is net sales less operating expenses. It does not include general corporate expenses and income, interest expense and income taxes which are shown separately in the reconcilation to net earnings.

Assets are current assets and fixed assets (at net book value) used for operations. Corporate assets are principally cash and marketable securities. The amounts do not include the deduction of liabilities. All amounts are as at December 31, 1980.

Capital expenditures are amounts expended in the year for land, buildings and equipment used for operations. These amounts are included in the Assets described above.

A description of the products and services from which the industry segments derive their revenue is provided under *Facilities, products & services* on pages 30 and 31.

Year ended December 31, 1980 (thousands of dollars)

| | | Sales | | | | | |
|---|---|---|---|---|---|---|---|
| INDUSTRY | ASSETS | GROSS | INTER SEGMENT | NET | OPERATING PROFIT | CAPITAL EXPENDI-TURES | DEPRECIA-TION |
| **Iron Foundry** | **72,277** | **147,041** | **(1,200)** | **145,841** | **9,219** | **2,072** | **3,230** |
| **Machinery and equipment** | **119,385** | **174,337** | **(762)** | **173,575** | **13,372** | **4,327** | **2,980** |
| **Steel fabrication and service** | **52,484** | **121,195** | **(404)** | **120,791** | **7,916** | **1,623** | **1,273** |
| **Other** | **20,739** | **50,181** | **(686)** | **49,495** | **3,297** | **1,011** | **714** |
| | **264,885** | **492,754** | **(3,052)** | **489,702** | **33,804** | **9,033** | **8,197** |
| **Corporate** | **33,035** | **—** | **—** | **—** | **—** | **138** | **148** |

| GEOGRAPHIC | ASSETS | GROSS | INTER SEGMENT | NET | OPERATING PROFIT |
|---|---|---|---|---|---|
| **Canada** | **155,154** | **334,820** | **(47)** | **334,773** | **20,148** |
| **U.S.A.** | **58,152** | **100,017** | **(7,185)** | **92,832** | **10,932** |
| **Europe** | **46,761** | **55,353** | **(359)** | **54,994** | **2,282** |
| **Other** | **4,818** | **7,103** | **—** | **7,103** | **442** |
| | **264,885** | **497,293** | **(7,591)** | **489,702** | **33.804** |

| **Segmented operating profit — net earnings** | |
|---|---|
| **Business segment operating profit** | **33,804** |
| **Corporate expenses** | **(4,968)** |
| **Interest expense** | **(7,392)** |
| **Income taxes** | **(6,109)** |
| **Net earnings** | **15,335** |

Canadian operations include export sales of $55,803,000 — primarily to customers in the United States.

## 11. Subsequent event

Subsequent to the year-end, a decision has been made to close down the Eastern Structural division operations in Montreal. This closing could result in an after-tax charge against fiscal 1981 earnings of up to $1,150,000, which amount would be treated as an extraordinary item.

# Ten year review

| | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|---|
| | (millions of dollars — except per share amounts*) | | | | | |
| **Annual amounts** | | | | | | |
| Sales | $ **489.7** | 472.2 | 400.4 | 363.1 | 338.5 | 366.0 |
| Cost of sales | $ **403.5** | 397.8 | 335.3 | 302.5 | 273.5 | 301.0 |
| Selling and administrative expenses | $ **57.4** | 46.4 | 39.5 | 34.6 | 33.5 | 32.3 |
| Interest | $ **7.4** | 5.4 | 4.8 | 4.9 | 4.4 | 8.0 |
| Income taxes | $ **6.1** | 9.5 | 9.4 | 10.7 | 14.1 | 11.1 |
| Earnings (before extraordinary item) | $ **15.3** | 13.1 | 11.4 | 10.4 | 13.0 | 13.6 |
| As percentage of sales | **3.1%** | 2.8% | 2.9% | 2.9% | 3.8% | 3.7% |
| Extaordinary item | **—** | — | — | — | — | (2. 3) |
| Net earnings | $ **15.3** | 13.1 | 11.4 | 10.4 | 13.0 | 11.3 |
| Earnings per common share | | | | | | |
| Earnings before (before extraordinary item) | $ **2.61** | 2.26 | 2.06 | 1.98 | 2.53 | 2.66 |
| Extraordinary item | **—** | — | — | — | — | (0.45) |
| Dividend paid per common share | $ **0.92** | 0.88 | 0.86 | 0.86 | 0.80 | 0.65 |
| Capital expenditures | $ **9.2** | 12.3 | 12.5 | 11.2 | 13.3 | 9.4 |
| Depreciation | $ **8.3** | 8.3 | 7.8 | 7.2 | 6.6 | 6.5 |
| Return on common shareholders' equity | **15.1%** | 13.9% | 13.6% | 13.8% | 19.5% | 19.0% |
| Return on capital employed | **11.4%** | 10.7% | 10.9% | 10.5% | 13.6% | 13.6% |
| **Year-end position** | | | | | | |
| Current assets | | | | | | |
| Short term investments | $ **27.1** | 14.4 | 2.5 | 0.6 | 19.0 | |
| Accounts receivable | $ **91.1** | 80.8 | 73.7 | 67.6 | 63.8 | 67.0 |
| Inventories | $ **112.9** | 109.8 | 105.1 | 75.4 | 60.9 | 68.9 |
| Other | $ **3.5** | 3.0 | 2.7 | 4.5 | 1.9 | 1.6 |
| Total | $ **234.6** | 208.0 | 184.0 | 148.1 | 145.6 | 137.5 |
| Current liabilities | | | | | | |
| Bank advances and notes payable | $ **48.2** | 30.5 | 24.6 | 26.7 | 26.5 | 20.8 |
| Accounts payable and accrued liabilities | $ **78.4** | 73.3 | 64.6 | 50.4 | 50.0 | 44.3 |
| Other | $ **15.3** | 15.3 | 15.0 | 6.6 | 7.3 | 11.9 |
| Total | $ **141.9** | 119.1 | 104.2 | 83.7 | 83.8 | 77.0 |
| Working capital | $ **92.7** | 88.9 | 79.8 | 64.4 | 61.8 | 60.5 |
| Current ratio | **1.7** | 1.8 | 1.8 | 1.8 | 1.7 | 1.8 |
| Land, buildings and equipment — net | $ **61.5** | 61.0 | 57.5 | 53.2 | 49.7 | 42.0 |
| Other assets | $ **1.8** | 0.5 | 1.4 | 1.9 | 1.9 | 3.2 |
| Capital employed | $ **156.0** | 150.4 | 138.7 | 119.5 | 113.4 | 105.7 |
| Deferred income taxes | $ **12.1** | 14.7 | 8.2 | 8.8 | 6.1 | 5.2 |
| Long-term debt | $ **25.7** | 27.5 | 29.6 | 31.2 | 33.0 | 34.5 |
| Shareholders' equity | | | | | | |
| Preferred | $ **15.3** | 15.7 | 16.5 | 2.5 | 4.2 | 5.6 |
| Common | $ **102.9** | 92.5 | 84.4 | 77.0 | 70.1 | 60.4 |
| Total | $ **118.2** | 108.2 | 100.9 | 79.5 | 74.3 | 66.0 |
| Book value per common share | $ **18.96** | 17.35 | 16.03 | 14.87 | 13.78 | 12.08 |
| Number of common shareholders | **3,693** | 3,670 | 3,793 | 4,031 | 4,220 | 4,055 |
| Common shares outstanding | **5,428,414** | 5,329,703 | 5,265,769 | 5,176,068 | 5,086,748 | 5,001,388 |
| Number of employees | **5,435** | 5,632 | 5,723 | 5,557 | 5,823 | 6,285 |
| Backlog of orders | **253.5** | 247.0 | 215.5 | 171.4 | 206.1 | 192.6 |

*All per share amounts have been restated to reflect the 2 for 1 stock split effective September 13, 1979.

| 1974 | 1973 | 1972 | 1971 | |
|---|---|---|---|---|
| | | | | **Annual amounts** |
| 325.7 | 223.8 | 199.4 | 205.2 | Sales |
| 270.2 | 186.8 | 167.1 | 175.5 | Cost of sales |
| 27.5 | 21.8 | 19.6 | 18.5 | Selling and administrative expenses |
| 7.8 | 4.1 | 3.3 | 3.8 | Interest |
| 9.0 | 4.6 | 4.0 | 3.2 | Income taxes |
| 11.2 | 6.5 | 5.4 | 4.2 | Earnings (before extraordinary item) |
| 3.4% | 2.9% | 2.7% | 2.1% | As percentage of sales |
| (0. 9) | — | — | — | Extaordinary item |
| 10.3 | 6.5 | 5.4 | 4.2 | Net earnings |
| | | | | Earnings per common share |
| 2.20 | 1.30 | 1.07 | 0.83 | Earnings before (before extraordinary item) |
| (0.18) | — | (0.01) | — | Extraordinary item |
| 0.60 | 0.50 | 0.50 | 0.50 | Dividend paid per common share |
| 10.9 | 6.3 | 4.8 | 2.9 | Capital expenditures |
| 5.6 | 4.8 | 4.5 | 4.4 | Depreciation |
| 21.9% | 15.4% | 13.5% | 11.1% | Return on common shareholders' equity |
| 16.8% | 11.0% | 9.2% | 7.6% | Return on capital employed |
| | | | | **Year-end position** |
| | | | | Current assets |
| | | | | Short term investments |
| 76.5 | 49.1 | 42.5 | 38.5 | Accounts receivable |
| 80.5 | 50.0 | 36.9 | 37.6 | Inventories |
| 2.2 | 2.1 | 1.7 | 2.1 | Other |
| 159.2 | 101.2 | 81.1 | 78.2 | Total |
| | | | | Current liabilities |
| 51.4 | 34.8 | 20.1 | 19.8 | Bank advances and notes payable |
| 51.5 | 32.7 | 26.1 | 26.6 | Accounts payable and accrued liabilities |
| 9.4 | 8.7 | 9.1 | 7.3 | Other |
| 112.3 | 76.2 | 55.3 | 53.7 | Total |
| 46.9 | 25.0 | 25.8 | 24.5 | Working capital |
| 1.4 | 1.3 | 1.5 | 1.5 | Current ratio |
| 44.3 | 39.8 | 37.1 | 39.5 | Land, buildings and equipment — net |
| 4.1 | 5.0 | 5.3 | 4.3 | Other assets |
| 95.3 | 69.8 | 68.2 | 68.3 | Capital employed |
| 4.4 | 3.9 | 3.4 | 2.8 | Deferred income taxes |
| 32.2 | 18.4 | 21.2 | 24.6 | Long-term debt |
| | | | | Shareholders' equity |
| 6.0 | 1.6 | 1.7 | 1.8 | Preferred |
| 52.7 | 45.9 | 41.9 | 39.1 | Common |
| 58.7 | 47.5 | 43.6 | 40.9 | Total |
| 10.58 | 9.22 | 8.42 | 7.86 | Book value per common share |
| 4,044 | 4,141 | 4,301 | 4,687 | Number of common shareholders |
| 4,980,308 | 4,979,244 | 4,979,244 | 4,979,244 | Common shares outstanding |
| 7,649 | 6,573 | 5,655 | 6,114 | Number of employees |
| 217.3 | 131.2 | 71.6 | 68.6 | Backlog of orders |

**Return on common shareholders' equity**
Earnings per common share (basic) as a percentage of the shareholders' equity per share, assuming conversion of all convertible preferred, at the start of the year.

**Return on capital employed**
Net earnings plus after tax interest paid on long-term debt, as a percentage of the sum of shareholders' equity (both common and preferred), long-term debt (including current maturities) and deferred income tax, at the start of the year.

# Facilities, products & services

**Foundry**
John M. Gandy
*General Manager*
*Main office:*
3050 Harvester Road
Burlington, Ont. L7N 3K7
Tel.(416)681-1221
*Offices:*
Burlington, New Liskeard, Ont.
*Plants:*
Hamilton (2), St. Thomas, New Liskeard, Ont.

Ingot moulds and stools
Brakeshoes
Municipal castings
Mill liners
Various grey, ductile and alloy iron castings
Mine cars, cages and skips
Heat and abrasion resistant steel

**Pipe**
Guy F. Talbot,
*General Manager*
*Main office:*
101 Queensway West
Mississauga, Ont. L5B 2P7
Tel. (416)276-7311
*Offices:*
Dartmouth, N.S.; Ville d'Anjou, Quebec City, Que.; Ottawa, Toronto, Mississauga, Ont.; Winnipeg, Man; Calgary, Alta.; Vancouver, B.C.
*Plants:*
Ville d'Anjou, Trois-Rivières, Que.; Toronto, Rexdale, Ont; Calgary, Cochrane, Alta.

Ductile iron pipe
Concrete pressure pipe
Wear resistant pipe
Fittings
Hydrants

**Tamper**
Arnold F. Bygate
*General Manager*
*Main office:*
2401 Edmund Road
West Columbia, SC 29169
Tel. (803)794-9160
*Offices:*
West Columbia, SC; Toronto, Ont.; Lachine, Que.;
Melbourne, Australia
*Plants:*
West Columbia, SC; Toronto, Ont.; Melbourne, Australia

**Matisa**
Ragnar Blomqwist
*General Manager*
*Main Office:*
Arc-en-Ciel 2 Crissier, Switzerland
Tel. (021)34.94.34
*Offices:*
Crissier, Switzerland; Bielefeld, West Germany; Palomba, Italy; Paris, France; Madrid, Spain; Bedford, England; Tokyo, Japan
*Plants:*
Crissier, Renens, Switzerland; Palomba, Italy; Madrid, Spain; Sens, France

*Tamping equipment:*
Manual, semi-automatic, fully automatic, production tampers, switch tampers, spot tampers
*Track equipment:*
Track renewal trains, car movers, rail laying machines, rail renewal systems, automatic spike drivers, track recording cars, brush cutters, snow blowers, rail gauging machines, rail lubricators, track gauges and levels
*Ballasting equipment:*
Ballast cleaners, regulators, compactors, switch and track undercutters
*Power tools:*
Tie renewers, rail saws, tie drills, spike pullers and drivers, rail bolters, drills, grinders

**Pacific**
Eugene W. Pearson
*President*
*Main office:*
421 Pendleton Way
Oakland, CA 94621
Tel (415)635-7900
*Offices:*
Mt. Carmel, IL; Oakland, CA
*Plant:*
Mount Carmel, IL

Hydraulic —press brakes, shears,—straightside presses,—pressformers, —OBS, OBL presses
Dies
Automatic gauging equipment
Special hydraulic equipment
Hydraulic control valves
Northrup stretch-form equipment

**Mechanical**
Jean-Marc Eloy
*General Manager*
*Main office:*
227 St.-Maurice Street
Trois-Rivières, Que.
G9A 3N8
Tel. (819)378-4801
*Offices:*
Ville d'Anjou, Que.;
Vancouver B.C.
*Plant:*
Trois-Rivières, Que.

Pulp and paper machinery
Steel mill equipment
Rolling mill machinery
Bulk handling equipment
Cranes and hoisting machinery
Gear drives
Special purpose machinery
Custom fabrication and plate work

**Eastern Structural**
Norman Dickinson
*General Manager*
*Main office:*
100 Disco Road
Rexdale, Ont. M9W 1M1
Tel. (416)675-6400
*Offices:*
Montreal, Que.; Rexdale, Ont.
*Plant:*
Rexdale, Ont.

**Western Bridge**
Geoffrey Lindup
*General Manager*
*Main office:*
145 West First Avenue
Vancouver, B.C. V5Y 1A2
Tel. (604)874-2311
*Office and plant:*
Vancouver, B.C.

**Star Iron & Steel**
Gunther F. Hoffmann
*General Manager*
*Main office:*
326 Alexander Avenue
Tacoma, WA 98421
Tel. (206)572-2811
*Office and plant:*
Tacoma, WA

Structural steel fabrication and erection for buildings and bridges
Construction services
Steel joists
Electrical bus ducts
Fabrication and erection of water and vapour conservation tanks
Fabrication, erection and repairs of A.S.M.E. vessels
Microwave structures
Transmission poles and towers
Hydraulic gates
Bulk loading terminals
Container cranes
Gantry cranes
Conveyor systems
Shipping containers
Galvanizing
Warehouse steel

**Plastics**
Jacques P. Robert
*General Manager*
*Main office:*
The Port of Montreal Building
1st Floor Wing 3
Cité du Havre
Montreal, Que. H3C 3R5
*Offices:*
Montreal, Que.; Rexdale, Ont.; Saint John, N.B.
*Plants:*
Berthierville, St. Jacques, Que.; Rexdale, Ont.; Saint John, N.B.

Plastic pipe and fittings
*Water—*
Polyethylene, (PVC and CPVC)
*Waste—*
Drain, waste and vent (ABS)
Sewers (ABS and PVC)
*Electrical—*
Underground duct (PVC)
Rigid conduit (PVC)
*Farm drainage—*
Corrugated pipe

**Canrep**
André Thompson
*General Manager*
*Main office:*
3745 St. James Street W.
Montreal, Que. H4C 1H4
Tel. (514)933-6741
*Offices:*
New Glasgow, Halifax, N.S.; Moncton, N.B.; Montreal, Chicoutimi, Que.; Toronto, Hamilton, Sault Ste. Marie, Ont.; Winnipeg, Man.; Edmonton, Calgary, Alta.; Vancouver, B.C.
*Warehouses:*
New Glasgow, Halifax, N.S.; Montreal, Chicoutimi, Que.; Toronto, Hamilton, Ont.; Winnipeg, Man.; Edmonton, Alta.; Vancouver, B.C.

Rail, truck, bus and aviation products
Instruments and electronic products
Hydraulic and pneumatic components and systems
Vibration absorbers
Lift trucks
Hoisting and miscellaneous machinery
Pipeline and process valves
Air moving and conditioning equipment
Filtration products
Insulation products
Mining equipment
Maintenance, repair and operating supplies
Paper mill products

# Directors and Officers

**Directors**
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*Iron Ore Company of Canada,*
*Montreal*

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*President and Chief Executive Officer,*
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*Toronto*

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*A.V. Carlson Construction Corp., Ltd.,*
*Edmonton*

Pierre Côté
*Chairman of the Board,*
*Celanese Canada Inc., Quebec City*

William S. Cullens
*Executive Vice-President and*
*Chief Operating Officer,*
*Canron Inc., Toronto*

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*Corporate Director,*
*formerly Chairman of the Board,*
*McLeod Young Weir Limited,*
*Toronto*

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*Chairman and Chief Executive Officer,*
*Sun Life Assurance Company*
*of Canada,Toronto*

John C. Gilmer
*Chairman of the Board,*
*Insurance Corporation of*
*British Columbia, Vancouver*

John D. Houlding
*President and Chief Executive Officer,*
*Polar Gas Project, Toronto*

John G. Kirkpatrick, Q.C.
*Partner, Ogilvy, Renault,*
*Montreal*

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*Canron Inc., Toronto*

Clifford S. Malone
*President and Chief Executive Officer,*
*Canron Inc., Toronto*

Paul L. Paré
*Chairman and Chief Executive Officer,*
*Imasco Limited, Montreal*

Charles Perrault
*President,*
*Perconsult Ltd., Montreal*

Frank H. Sherman
*President and Chief Executive Officer*
*Dofasco Inc.,*
*Hamilton*

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Maxwell W. Mackenzie
Alan D. McCall

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P. Côté, J.D. Houlding,
J.G. Kirkpatrick, H.J. Lang,
C.S. Malone, P.L.Paré

**Audit Committee**
W.J. Bennett, J.T. Black,
J.G. Kirkpatrick, C. Perrault,
F.H. Sherman

**Management Resources and Compensation Committee**
W.J. Bennett, T.M. Galt,
J.G. Kirkpatrick, H.J. Lang,
C.S. Malone, P.L.Paré

**Nominating Committee**
J.T. Black, J.S. Dinnick,
J.D. Houlding, H.J. Lang,
C.S. Malone

**Officers**
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*Chairman of the Board*

Clifford S. Malone
*President and Chief Executive Officer*

William S. Cullens
*Executive Vice-President and*
*Chief Operating Officer*

William Niles
*Executive Vice-President, Finance*

Ragnar Blomqwist
*Group Vice-President*

Bruce E. Jackson
*Group Vice-President*

Fred A. Collier
*Vice-President,*
*Personnel and Industrial Relations*

Frank E. Miller
*Vice-President,*
*Corporate Development*

Guy F. Talbot
*Vice-President*

Pieter de Josselin de Jong
*Treasurer*

William C. Hamilton
*Controller*

Gerald Lefebvre
*Secretary*

William D. McQuitty
*Assistant Secretary*

William D. Moncur
*Assistant Treasurer*

CANRON INC.

**Canron is...**a Canadian owned and managed Corporation fabricating products and equipment for heavy industry throughout the world.

The Corporation currently employs approximately 5,500 people at plants and offices in Australia, Britain, Canada, France, Italy, Japan, Spain, Switzerland, United States and West Germany.

Direction of the Corporation with its diversified product lines and widely dispersed operations is accomplished with a decentralized divisional type of organization.

The Corporation's business strategy is to maximize the use of existing manufacturing and marketing expertise and to seek opportunities for profitable growth. Thus along with internal expansion and product development, the Corporation will pursue acquisition opportunities.

**Executive office:**
1 First Canadian Place
Suite 6300
Toronto, Ontario M5X 1A4
Telephone (416)364-6600

**Stock listings:**
Montreal, Toronto and Vancouver Stock Exchanges

**Transfer agent:**
Montreal Trust Company, Montreal, Toronto, Halifax, Winnipeg, Regina, Calgary, Vancouver

**Registrar:**
The Royal Trust Company, Montreal, Toronto, Halifax, Winnipeg, Regina, Calgary, Vancouver

**Annual meeting:**
The sixty-fifth annual meeting of shareholders will be held in the Territories Room, Royal York Hotel, Toronto, Ontario, on Wednesday, April 29, 1981, at 11.00 a.m.

Si vous désirez recevoir ce rapport annuel en français, prière d'en aviser le secrétaire de Canron Inc.
1 First Canadian Place
Suite 6300
Toronto, Ontario M5X 1A4

CANRON
INC.